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C O N F I D E N T I A L SECTION 01 OF 02 BOGOTA 004060

SIPDIS

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SUBJECT: TERRORIST FINANCE ISSUES IN COLOMBIA

REF: 04 STATE 12958

1. (C) The complex relationship between drug traffickers, money launderers and terrorists led the Government of Colombia (GOC) to take a broad, multifaceted and multi-institutional approach to combating illicit finance. Colombia has worked extensively with the USG to find, investigate and freeze assets of terrorists; however, post has identified specific areas for improvement.

THE CURRENT SITUATION - GOC

2. (C) Colombia has several organizations designated as "Foreign Terrorist Organizations" under US law. However, due to Colombian laws, banks in Colombia cannot freeze accounts on the Office of Foreign Assets Control (OFAC) list of specially designated nationals and blocked persons. Banks only have the authority to close accounts and return funds or to refuse business altogether. The Prosecutor General's Office (Fiscalia) is the only entity with the authority to freeze accounts through judicial process. The Fiscalia has been helpful in working with the USG to investigate suspicious accounts; however, the results have been limited. Since 1995, only 177 people have been convicted of crimes involving illicit finances. In contrast to arrests, The GOC seized at least USD 140 million worth of narco traffickers and terrorist assets (money and goods) last year.

THE CURRENT SITUATION) COLOMBIAN BANKS

3. (C) Colombian banks, particularly those in Bogota, are helpful in closing accounts because they enjoy having a legal seal of approval. Compliance is more difficult in smaller, rural areas or in regional banks, which may have paramilitary and guerrilla sympathizers within them. In those institutions, sympathizers or personnel under pressure from terrorist organizations quietly transfer funds to inactive accounts. Bank personnel in these areas also encounter more direct threats from terrorist organizations. This makes simply turning over required information to authorities a risk to their lives. Efforts to retrieve information and close suspected accounts will be more successful as greater government rule is established in all areas of the country.

AREAS OF CONCERN

4. (SBU) Colombia's steps to fight terrorist financing have been commendable, but more can be done. USG representatives in Colombia have identified specific areas of concern:

A. (C) INTERAGENCY COMMUNICATION -- Post has a bi-weekly terrorism finance meeting that brings together the different agencies dealing with illicit financing. We are establishing a mechanism that will allow for information sharing and the storage of information in a further central embassy location. To create institutional memory and a broad base of Colombian contacts, the Defense Attache's Office (DAO) has created a permanent, Intelligence Officer position to act as a point of contact between USG and Colombian agencies. This officer will act not only as a facilitator between the Embassy and the GOC, but also between the Embassy and other governments working on illicit finances.

B. (C) INTERGOVERNMENTAL COMMUNICATION -- The GOC has been helpful in working with USG agencies. We are working to make a more efficient framework for intergovernmental investigations and analysis. Differences between entities within the GOC that focus on intelligence (the military) and those that depend upon confiscated evidence for prosecution (law enforcement) limit communication. Greater communication between the USG and the GOC would push GOC entities to communicate more. In addition to greater communication, a greater physical presence might also be possible. The director of UIAF (the GOC financial crimes unit) said to emboffs that he would be willing to have a USG official detailed to his office to help with investigations. The GOC is willing to provide more information if USG officials are willing to take a larger role. A step in this direction could also lead to greater cooperation with GOC's Inter-institutional Committee to Combat Terrorist Finances, a group bringing together the national prosecutor's office, military intelligence and the judicial police. Closer work with both UIAF and the Inter-institutional Committee would benefit Colombian and USG work to combat illicit finance. A consistent, daily dialogue with the GOC would improve information sharing.

1C. (C) BROADENING THE SCOPE -- Terrorist financing is part of the bigger illicit financing issue in Colombia. Fighting terrorism in Colombia goes hand in hand with fighting drugs, corruption, extortion, fraud and money laundering. Every aspect of the Colombian economy and society is affected by illicit financing. Investigating and seizing assets of narco-traffickers is a crucial tool for fighting narco-terrorism. No definitive line can be drawn to separate terrorist issues from drug issues, including in the financing realm. The Embassy is continuing to work on developing more operational intelligence. Our regular Embassy Anti-Terrorism Finance Committee Meetings have improved coordination among agencies at post and greater information sharing.

15. (SBU) The amount of data that the GOC must analyze to make a case against suspected terrorists and the difficulty it has in collecting data in rural areas makes it exceptionally difficult to find, investigate, and prosecute terrorists. Terrorist organizations in Colombia use sophisticated techniques to hide money and to intimidate those who refuse to cooperate with them, further complicating the work of finding illicit funds. Compared to its neighbors, Colombia's system to investigate financial crimes is advanced. But still is inadequate to the task it faces. USG involvement to date has helped the GOC achieve results, but more substantial involvement will show even greater gains.

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